

Cooperative Solutions for Rural Challenges

USDA has a long history of promoting cooperatives—businesses that are owned and controlled by the people who use them. Co-ops help rural people maintain control of local resources and improve their standard of living. In the United States, there are an estimated 40,000 cooperatives that do everything from helping farmers market and process their crops to providing electricity and credit services.

Cooperatives are organized by people who want to: (a) improve their bargaining power, (b) reduce their costs for goods or services, (c) obtain products or services otherwise unavailable to them, (d) expand their marketing opportunities, (e) improve their product service or quality, or (f) increase their income.

For 65 years, USDA has been providing ideas and leadership to the cooperative community through its prize-winning magazine, “Rural Cooperatives,” published bimonthly. Each issue carries news, features, and columns that report on issues impacting cooperatives and highlighting successful co-op practices. USDA Rural Development also provides the public with more than 100 publications and videos about cooperatives—ranging from “How to Start a Cooperative” to “Tax Treatment for Cooperatives.” To order a free publication and video catalog or to request a magazine subscription order form, call (202) 720-8381.

■ Rural Housing Service

Decent, safe, sanitary, affordable housing and essential community facilities are indispensable to vibrant rural communities. USDA’s Rural Housing Service (RHS) has the responsibility to make these essential elements available to rural Americans. RHS programs help finance new or improved housing for more than 60,000 moderate- or low-income families each year. These programs also help rural communities finance construction, enlargement, or improvement of fire stations, libraries, hospitals, medical clinics, day care centers, industrial parks, and other essential community facilities.

Home Ownership Loans provide assistance to low-income households in rural communities, helping them to purchase, construct, repair, or relocate a home. Borrowers are offered 33-year direct loans at fixed interest rates with annual subsidy to bring the effective interest rate to as low as 1 percent, depending on the family’s adjusted income. Moderate-income rural residents can be assisted with loan guarantees offered through private lenders at terms up to 30 years. The loans, both direct and guaranteed, can cover up to 100 percent of market value or acquisition cost, whichever is less.

Home Improvement and Repair Loans and Grants enable very low-income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities. Loans have a maximum interest rate of 1 percent. Grants are available for people age 62 and older who cannot afford to repay a loan. A combination of funds from a loan and grant can be used by eligible elderly residents. Housing preservation grants are made to nonprofit groups and government agencies to finance rehabilitation of rental units for low-income residents.

Rural Rental Housing Loans finance construction of rental and cooperative housing for low-income individuals and families, including elderly or disabled persons. Loans have a maximum term of 30 years, can equal up to 100 percent of the appraised value or development cost, whichever is less, and can be used to construct new housing or to purchase or rehabilitate existing structures. In addition to the direct lending program, USDA offers loan guarantees to extend the reach of Federal resources to some lower income working families and elderly individuals.

Rental Assistance payments subsidize rent costs to ensure that low-income tenants will pay no more than 30 percent of their income for rent.

Community Facilities Loans, Loan Guarantees, and Grants finance the construction, enlargement, extension, or other improvements for community facilities providing essential services in rural areas and towns with a population of 50,000 or less. Funds are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and nonprofit corporations.

Housing for Farm Workers

Farm workers are among the most poorly housed and lowest paid workers in the United States. RHS provides housing for migrant and farm laborers through several programs. The Farm Labor Housing program provides loans to public or nonprofit agencies or to farmers to enable them to build farm labor housing. In States such as California, many farm laborers are able to build their own homes through our Mutual Self-Help Housing Program.

Outreach to Native Americans

The Rural Housing Service is reaching out to better inform Native Americans of our programs and working to overcome barriers to lending on tribal land. In FY 1999, Single Family Housing direct loans and grants worth \$13 million were made to buy or to repair homes for Native Americans, including \$1.9 million, to build approximately 31 single family houses on tribal lands. An additional \$44.2 million guaranteed another 390 housing loans made to Native Americans by private sector lenders. Loans and grants made through the Housing Repair program totaled over \$2 million and repaired 365 dwellings.

In FY 1998, the Community Facilities program made 16 loans and grants to federally recognized Indian tribes, for a total of \$5.2 million. These ranged from a \$29,000 grant to the Band of Nor-El-Muk in California for a city hall to a \$1.5 million loan guarantee to the Chitimacha Tribe in Louisiana for building an assisted-living complex. Six other loans and grants for almost \$10 million were made for facilities that primarily will serve Native Americans.

In 6 States, we used \$10.4 million of Multi-Family Housing funds in FY 1998 to build 9 rental housing complexes containing 197 apartments on Native American reservations or in communities where most tenants will be Native Americans. Over \$900,000 in housing preservation grants was provided to nonprofits or tribes in 9 States for repair of 170 deteriorating single- or multi-family units that house low-income Native American families.

Expanding the Reach of Federal Resources

Building Partnerships

Partnerships with the private and nonprofit sectors form the foundation of several RHS programs. For example, our private, nonprofit partners operate USDA-funded multi-family housing complexes, looking after the needs of the tenants and maintaining the properties. Partners deliver USDA Community Facilities, Multi-Family and Single Family Guaranteed Loan programs. They provide funds to leverage our loans and help us serve more people. They provide valuable services, such as loan packaging and homebuyer education and outreach. As Federal human and monetary resources shrink, these partnerships will become even more crucial to our daily operations. Therefore, we are actively reaching out to organizations whose goals and missions complement ours. This section describes a number of different types of partnerships found in our programs, from homeownership to child care, and multi-family housing managers to leveraging.

Guaranteed Loan Programs

Some of our most important partnerships are created through our loan guarantees. RHS has loan guarantee programs in the Single Family, Rural Rental Housing, and Community Facilities programs. This type of loan is a collaboration with local lenders by which the lender funds the loan and RHS issues a guarantee for up to 90 percent of the amount of the loan. With the assurance of RHS behind them to protect them in case of default, banks are more confident and willing to extend eligibility to a wider range of customers. For example, a prospective homeowner unable to afford a downpayment could still buy a home because he or she could borrow the full amount using a lender backed by a USDA guarantee.

President's National Partnership in Homeownership

The National Partnership in Homeownership is a Presidential initiative which sets up a partnership between government and the private sector to address homeownership issues at the local level. The partners work to enhance the relationship between Federal, State, and local government and the private sector and to expand homeownership opportunities.

The Rural Home Loan Partnership

The Rural Home Loan Partnership, begun in 1996 under the President's National Partnership for Homeownership initiative, saw great success in 1998 as the homeownership rate reached an all-time high of over 66 percent nationally and 75.1 percent in rural areas. The Partnership, which expanded in 1998, now includes Rural Local Initiatives Support Corporation (Rural LISC), the Federal Home Loan Bank System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), as well as USDA Rural Housing Service.

The partnership delivers a new single-family mortgage product which enables families earning 80 percent of area median income or below to achieve homeownership. RHS provides a subsidized mortgage to cover part of the cost of a house, while

a local bank finances the remainder. Private, nonprofit community development corporations identify and counsel eligible borrowers. RHS' partnership with community development corporations helps direct resources to needy areas, provides technical assistance, and builds partnerships for other Rural Development initiatives. In 1998, the Rural Home Loan Partnership made home loans worth \$19.8 million (\$13 million from RHS and \$6.8 million from the other partners) to help 284 families become successful homeowners.

Community Development Financial Institution Partnership

The Community Development Financial Institution Partnership was created in 1998 between RHS and various community development financial institutions (CDFI's) throughout the country. The purpose of the partnership is to provide homeownership opportunities to low-income applicants by combining the resources of RHS and CDFI's.

CDFI's are specialized private institutions that serve populations whom traditional financial institutions are not serving. They provide a wide range of financial products and services to under-served communities. Some of these services include mortgage financing for first-time homebuyers and basic financial services needed by low-income households. RHS and the CDFI's have a common goal of working to build stronger communities through creating healthy local economies, restoring communities, generating local tax revenues, and empowering residents by increasing homeownership. In most cases, other partners are included in the partnerships to provide homeownership counseling and sometimes additional sources of leveraged funds.

In 1998, through this partnership, the Rural Housing Service funded 50 loans with \$2.5 million in 10 local partnerships. The CDFI's and other funding sources provided over \$1 million to leverage with the RHS funds. Over 65 percent of the families served had incomes of 50 percent or less of the median income for the area.

Centralized Service Center Improves Operations

In October 1996, a Centralized Service Center (CSC) in St. Louis, MO, opened to provide automated loan servicing to RHS single-family housing borrowers. This effort exemplifies the reinvention of Government, intended to make Government services work better and cost less. The service greatly expands services to borrowers while substantially reducing the staff needed to operate the program nationally.

In its first year of full operation, CSC refined its mortgage servicing system to increase the speed and accuracy of information about borrower accounts. Payments are posted on the day they are received, unless legal action is pending. During FY 1998, CSC automated much of its pay-off functions. Pay-off quotations are now provided within 2 business days, instead of the 10 days it previously took to provide data.

The staff at the CSC have received specialized training to serve customers more effectively. About 60 CSC staff members are fluent in Spanish so that they can assist the 14 percent of the RHS borrowers who speak Spanish. The CSC's monthly statements, major letters, and telephone service are provided in both English and Spanish. A program specialist fluent in Navajo is available to service the accounts of members

of the Navajo nation. CSC is maintaining an ongoing effort to provide additional services to customers and keep them as successful homeowners. During FY 1998, the Servicing Partnership Team was implemented to provide customers with additional contact opportunities from Rural Development field offices.

■ Rural Utilities Service

USDA Rural Utilities Service (RUS) programs touch the lives of tens of millions of rural Americans daily. Through project financing and technical assistance, RUS builds infrastructure to provide rural businesses and households with modern telecommunications, electricity, and water. Today, this also means bringing the “information superhighway” to rural America.

The **Water 2000 Initiative** is an ambitious undertaking to extend safe, dependable drinking water to rural communities. At least 2.2 million rural Americans live with critical quality and accessibility problems with their drinking water, including an estimated 730,000 people who have no running water in their homes. Since it started in 1994, Water 2000 has already improved drinking water quality or provided a public water supply for the first time to some 2.5 million people in more than 1,300 rural communities nationwide.

RUS is a partner with rural business and economic development efforts, providing infrastructure that is the foundation for competitiveness. It is a technical and financial resource in a time of change for rural utilities.

Rural Telecommunications Loans and Loan Guarantees build modern rural communications systems that provide rural areas with “on ramps” to the information superhighway by making financing available for telecommunications facilities. Loans made to rural telephone cooperatives and companies help bring reliable and affordable telecommunications services to more than 15 million rural Americans.

Rural Electric Loans and Loan Guarantees provide reliable, safe, and affordable electricity to rural America by financing power distribution, generation, and transmission systems. Loans are made to nonprofit and cooperative associations, public bodies, and other utilities which serve more than 25 million rural Americans.

Distance Learning and Medical Link Loans and Grants bring distance learning and telemedicine to rural America. Education and adequate medical care are crucial to the survival of rural communities, but are becoming increasingly difficult to provide to rural communities. This program employs innovative ways to use existing telecommunications infrastructure to extend the reach of educational and medical expertise into communities without that expertise. The new loan program is being developed to further expand rural telecommunications infrastructure.

Water and Waste Disposal Loans and Grants develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with populations of less than 10,000. The funds are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and nonprofit corporations. RUS also guarantees water and waste disposal loans made by banks and other eligible lenders.